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Foreign Affairs Budget Facing Cut, Shultz Told

Secretary Sees 'Tragedy' in New Slashes

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The State Department and foreign aid budgets probably will be cut further below their already reduced levels rather than rising substantially next year as the Reagan administration has proposed, a key lawmaker told Secretary of State George P. Shultz yesterday.

"We'll have to start withdrawing from the world. It's a tragedy," responded Shultz, who appears to have gained some sympathy but hardly any funds in a nine-month campaign to restore money cut from the nonmilitary foreign affairs budget.

Describing recent budget cuts as "a major foreign policy crisis" and the No. 1 problem facing U.S. diplomacy, Shultz has spoken on the issue dozens of times and spent many hours testifying before congressional committees and buttonholing lawmakers.

Rep. Daniel A. Mica (D-Fla.), chairman of the House Foreign Affairs subcommittee on international operations, said at the end of a two-hour hearing yesterday morning that the fiscal 1988 foreign affairs budgets probably would be cut from 1987 levels despite Shultz's pleas and Mica's belief that "diplomacy and the State Department are being nibbled to death."

Shultz, noting that the State Department budget is dominated by personnel expenses, indicated that one result of such cuts may be the closing of 20 to 25 U.S. diplomatic posts abroad—or about one-tenth of the 249 embassies, consulates and special U.S. missions around the world.

Undersecretary of State for Management Ronald I. Spiers said the most endangered posts are U.S. consulates in France, Germany,

Britain, Italy, Greece, Turkey, Switzerland and other Western European countries.

"If we are frozen [at 1987 levels], much less cut, we are in deep trouble," said Spiers. "It would mean a restructuring of our foreign affairs establishment and deep reductions in our overseas diplomatic presence."

Congressional sources said that cuts of about 4.5 percent below the 1987 level are being discussed on Capitol Hill as a likely outcome for both foreign aid allocations and the State Department budget. Both those budgets suffered sharp reductions in fiscal 1986 and 1987.

Data compiled by the House Foreign Affairs Committee suggests that under the Hill projections, the United States would fall close to \$1 billion short this year of meeting its promises to eight countries where it has military base rights—Oman, Turkey, Portugal, Spain, Greece, the Philippines, Kenya and Somalia.

These countries have been promised a combined total of \$2.5 billion in aid in fiscal 1988, committee data indicated. The Reagan administration, in view of the budget crunch, had reduced its actual budget request for these countries to \$2.1 billion. A "freeze" level would award them a total of only \$1.650 billion, and the further cut of 4.5 percent being considered would bring down the level for "base rights" countries to \$1.585 billion, even with heavy cuts in other allocations.

There is little or no disposition in Congress to cut aid programs for Israel and Egypt, which this year will consume 47 percent of all U.S. foreign aid and an even larger proportion of all U.S. security assistance. Under a "freeze" plan, the Israel-Egypt aid total of \$5.3 billion would be more than twice as much as the

State Department would be allocated for all its personnel and worldwide operations—\$2.5 billion.

"Hardball in a pure sense is starting this week" on the foreign affairs budget, Mica told reporters following the hearing with Shultz. "The State Department, unless there is a

near-miracle, is going to be at the very, very short end of the stick, as is foreign aid, with the exception of Egypt and Israel."

Mica said that, despite Shultz's campaign, foreign affairs budgets have been caught between conservatives "who have not been that supportive" in the past and liberals who are tired of "being beat over the head" by conservative opponents for foreign spending votes. Some of those liberals, he said, want to use the overseas budgets "as a lever" against the Reagan administration in the overall budget battle.